JSW

Reuters: JSW.WA Bloomberg: JSW PW

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Coal Mining, Poland

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Cash Burning Machine

Underperform maintained; TP down to PLN8

The company's PLN8.5bn worth of Transformation Plan, announced in late 2024, relied on the top line expansion. However, we believe that its assumptions seem to be gone with the wind, due to concurrent presence of 1) another massive underground geological event (800kt downside to 2025 volume), 2) the Australian metcoal benchmark plummeting to its three-year lows, 3) zloty's strengthening and 4) "paper" capex savings. The management stubbornly promises no cuts to workforce or salaries (46% of total opex), which, along with the geology, should uphold JSW's Cash-Burning status terminally, we conclude. The company has burnt PLN3.15bn in six months, an all-time record, and we see JSW's annual cash burn at ~PLN2.5bn per annum, likely eating up stock's entire Rainy Day Fund until 4Q2025E, we calculate. All this exposes the stock to an insolvency risk. The European reconstruction plan might offer some upside to the stock, which we see at ~PLN0.72bn post-tax p.a., while Debiensko area might offer an upside to volumes in several years, potentially.

Transformation Plan goes … bust? In late 2024 the management announced three-year Transformation Plan, eyeing PLN8.5bn gains. However, it was based on top line expansion in our view, with volumes at 14.0mt in 2025E and 16.5mt in 2027E, and metcoal prices rising from 2025E's USD235/t to ~USD270/t in 2027E. The current environment (massive volume cut in early 2025, plummeting metcoal prices, strengthening zloty) void the entire plan, we conclude, especially as the management repeatedly underlines lack of personnel cost cuts.

European Infrastructure / Warfare Funds, Debiensko, Ukraine: real and remote upsides. The Germany has announced EUR1,000bn worth of multi-year infrastructure investments, which should naturally support local steel demand. Also, Europe is upping its warfare spending. As metcoal and coke should become needy, we assume JSW's double-digit discounts at its product prices could disappear, which could hypothetically support its EBITDA by PLN0.9bn annually. We also expect JSW would receive Debiensko license, but the first coal should be produced there in several years, acc. to the company's representatives. Ukraine's reconstruction might also pose an upside, but ongoing negotiations to end the war rise major question marks, we believe.

Cash-Burning Machine. The company has burnt PLN3.15bn cash in six months, an all-time record, cutting its Rainy Day Fund to PLN2.17bn (as of mid-Mar2025). The current circumstances remain highly un-supportive (3Q25E metcoal price at PLN685/t, down 26% y/y), personnel opex has not been touched, which should result in the normalized JSW's PLN2.5bn cash burn p.a., we calculate. Its Rainy Day Fund might get depleted in 4Q2025E, potentially, leaving JSW hypothetically insolvent.

Risks to our call. Geology, mining volumes and USDPLN exchange rate represent the key down/up-side risks to JSW, in our view. Any further weakening of the Chinese economy or the continued global housing crunch pose downsides, while the Chinese stimuli could come in supportive. Any sudden climatic event could pose an upside. High-priced multi-year contract with the European steel producer could pose substantial upside. Also, the aggressive personnel cuts could offer an upside.

Forecasts, valuation, recommendation. We assume the ongoing production optimization may bear fruit, thus we increase our estimates of the long-term coal volume to 14.5mt from 13.25mt previously. Though, we also cancel off PLN1.7bn of personnel opex optimization, in line with management's statements. Still, metcoal's benchmark weakness and strong zloty come in highly detrimental to stock's valuation, we note. Our DCF-based valuation requires external financing in our both scenarios, down to PLN1 a share, and comparative valuation slides 44% to PLN23. These halve our TP to PLN8 a share, and striking downside keeps JSW at Underperform.

JSW: Financial summary (year to December)

PLNmn	2022	2023	2024E	2025E	2026E	2027E
Sales	20 199	15 338	11 380	10 931	12 348	12 474
EBITDA	10 564	4 213	54	299	2 017	1 952
EBIT	9 336	2 363	-7 920	-1 126	491	326
Net profit	7 561	997	-6 656	-1 081	307	90
P/E (x)	0.8	5.4	-0.5	-3.0	10.7	36.4
EV/EBITDA* (x)	0.1	0.5	81.5	24.1	4.6	6.0
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	133.5%	-19.7%	-119.1%	-96.6%	-64.7%	-69.4%

*Source: Company data, Santander Brokerage Poland estimates, * includes provisions*

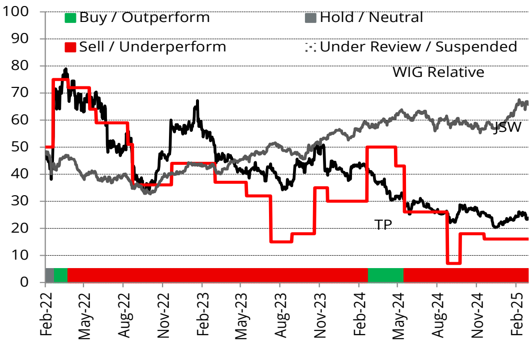
Recommendation	**Underperform**
Target Price (Dec2025, PLN)	**8.0**
Price (PLN, March 18, 2025)	27.7
Market cap. (PLNmn)	3,287
Free float (%)	44.8
Number of shares (mn)	117.4

Previous report issued on November 29, 2024 with:

Recommendation	*Underperform*
TP (PLN, Dec'25)	*16*

What has changed

- TP cut to PLN8 from PLN16, recommendation Underperform maintained
- Macro woes depressed metcoal prices to USD173/t (s-t) and USD210/t (l-t), with strong zloty, underground geological events and lack of opex cuts creating highly disruptive environment
- The company has burnt PLN3.15bn cash in six months, the strongest pace in history, trimming Rainy Day Fund to PLN2.2bn. The current environment may result in JSW's insolvency in 4Q2025E, we calculate
- Transformation Plan assumed PLN8.5bn in three-year savings, but the aforementioned circumstances turn it into fairy tale, we believe
- Company's 3Q2025E metcoal benchmark-driven price falls to PLN685/t, we calculate, down 26% y/y, potentially resulting in an intensified cash burn in coming quarters
- European Warfare & German Infra spending should represent a booster to local metcoal / coke demand. We calculate it might negate JSW's price discounts, implying annual FCF gain at ~PLN0.72bn, as we calculate. Both Debiensko and the Ukrainian reconstruction represent very remote upsides, we note
- Chinese stimuli, Indian booming demand, weakening zloty, booming internal volumes, opex restructuring and the Australian intense climatic events represent upside risks to our forecasts / valuation



The chart measures performance against the WIG index.

Main shareholders	**% of votes**
State	55.2

Source: Company data

Company description

Europe's largest coking coal producer, also one of the largest European coke producers.

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Key Stories

Results' Section

4Q2024 KPIs & 4Q2024E Preview

[published within Flashnote on September 30, 2024]

Fig. 1. JSW: Operating performance – Volumes [*negatives in red*, *positives in green*]

Mt	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	y/y	q/q
Total coal production	3.47	3.38	3.32	3.42	3.39	3.13	2.87	3.05	**3.20**	*-6%*	*5%*
Coking coal production	2.76	2.66	2.70	2.83	2.69	2.41	2.31	2.50	**2.71**	*1%*	*8%*
Thermal coal production	0.71	0.72	0.62	0.59	0.70	0.73	0.56	0.55	**0.49**	*-30%*	*-11%*
Coke production	0.68	0.77	0.85	0.85	0.87	0.83	0.73	0.81	**0.69**	*-21%*	*-15%*
Total coal sales	3.29	3.53	3.13	3.26	3.36	3.06	2.61	2.90	**3.05**	*-9%*	*5%*
External coal sales	2.38	2.50	1.99	2.12	2.18	1.92	1.65	1.85	**2.03**	*-7%*	*10%*
Incl. coking coal sales	1.60	1.77	1.50	1.54	1.46	1.46	1.32	1.40	**1.49**	*2%*	*6%*
Coke sales	0.75	0.84	0.88	0.81	0.79	0.99	0.76	0.74	**0.74**	*-6%*	*0%*
Coking coal share	79.5%	78.7%	81.3%	82.7%	79.4%	77.0%	80.5%	82.0%	**84.7%**	5.3	2.7

Source: Company data, Santander Brokerage Poland estimates

Fig. 2. JSW: Operating performance – Prices [*negatives in red*, *positives in green*]

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	3Q22	y/y	q/q
Coking coal benchmark, 3M TSI [USD/t]	278	343	244	264	334	308	242	211	**203**	*-39%*	*-4%*
Coking coal benchmark, 5M TSI [USD/t]	264	303	306	243	294	330	280	234	**208**	*-29%*	*-11%*
Coking coal realized price [PLN/t]	**1203**	**1222**	**1235**	**980**	**1046**	**1059**	**945**	**855**	**745**	*-29%*	*-13%*
Coking coal discount (vs 3M TSI)	-7.1%	-19.0%	21.2%	-10.5%	-23.8%	-13.9%	-2.5%	4.0%	**-9.1%**	14.7	-13.1
Coking coal discount (vs 5M TSI)	**-2.0%**	**-8.2%**	**-3.4%**	**-2.7%**	**-13.3%**	**-19.6%**	**-15.7%**	**-6.3%**	**-11.4%**	1.9	-5.2
Coke realized price [PLN/t]	**1705**	**1590**	**1699**	**1359**	**1333**	**1370**	**1377**	**1306**	**1133**	*-15%*	*-13%*
Thermal coal realized price [PLN/t]	639	746	725	743	597	482	476	452	**412**	*-31%*	*-9%*

Source: Company data, Santander Brokerage Poland estimates

Negative. Weak-ish volumes, strong all-product discounts' expansion. The company's 4Q2024 volumes recovered 0.15mt q/q to 3.2mt, yet down 6% y/y. Metcoal share in total coal production at 85% (the highest reading ever) represents the only bright spot at 4Q24 KPIs, we conclude. Coke sales and production remain very weak, exacerbated by surprisingly high usage of own metcoal. Realized 4Q2024 prices provide the key disappointment, we believe, as all discounts to benchmarks have widened by 5-7pp q/q to -11-13% range. This might be explainable in thermal coal, but comes in counter-intuitive for coke and metcoal, where discounts tended to narrow along with declining prices. Metcoal & coke discounts widening to 12-13%, along with fairly weak metcoal / coke sales, might guide for worrisome future volume / price outlook for both key products of JSW, we believe. Still, maintenance of an 85% metcoal volume share would offer some relief.

Volumes: Solid metcoal, weak all other production and sales. JSW's 4Q2024 coal production recovered 0.15mt q/q to 3.2mt, still 6% weaker y/y. Also, FY24 volume at

12.25mt settles ~0.1mt below the official guidance. 4Q2024's metcoal share at 85% (the highest share in JSW's history) represents the only bright spot in 4Q24 KPIs, we conclude. JSW's coke sales volumes remain fairly weak, we see, at 0.74mt in 4Q2024, which might have triggered company's decision to produce very little coke in 4Q2024 (0.69mt, the weakest quarterly production since 4Q22). Interestingly, JSW used relatively high own metcoal for coke production (coal/coke ratio at all-time high 1.45x), detrimental to results.

Strong discounts' expansion. All-product discounts widened substantially in 4Q2024. Metcoal discount expanded 5pp q/q to -11%, coke discount expanded 7pp q/q to -13%, and thermal coal discount grew 6pp q/q to -12%. JSW's realized metcoal / coke / thermal coal prices settle respectively at PLN745/t (-29% y/y) / PLN1,133/t (-15% y/y) / PLN412/t (-31% y/y).

Fig. 3. JSW: 4Q2024E results' preview

PLNmn	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24*	3Q24	4Q24E	*y/y*	*q/q*
Sales	4 149	4 851	4 139	3 402	2 946	3 415	2 739	2 690	**2 505**	*-15.0%*	*-6.9%*
EBITDA	1 831	1 956	1 369	531	700	532	-5	18	**-455**	*n.m.*	*n.m.*
EBITDA margin	*44.1%*	*40.3%*	*33.1%*	*15.6%*	*23.7%*	*15.6%*	*-0.2%*	*0.7%*	***-18.2%***	*-41.9*	*-18.8*
EBIT	1 530	1 575	961	85	206	48	-533	-313	**-786**	*n.m.*	*n.m.*
EBIT margin	*36.9%*	*32.5%*	*23.2%*	*2.5%*	*7.0%*	*1.4%*	*-19.5%*	*-11.6%*	***-31.4%***	*-38.4*	*-19.8*
Net profit	1 233	1 267	787	-1 209	153	-10	-909	-309	**-786**	*n.m.*	*n.m.*
Net margin	*29.7%*	*26.1%*	*19.0%*	*-35.5%*	*5.2%*	*-0.3%*	*-33.2%*	*-11.5%*	***-31.4%***	*-36.6*	*-19.9*
Adj. EBITDA	**1 826**	**1 965**	**1 456**	**927**	**878**	**532**	**298**	**45**	**-455**	***n.m.***	***n.m.***

*Source: Company data, Santander Brokerage Poland estimates, * 2Q2024 results adjusted for one-off asset write-down at PLN6.3bn*

Negative. We see the company's 4Q2024 KPIs distressing primarily at the price level, with discounts' substantial q/q widening coming in detrimental to JSW's quarterly results, we believe. Weak coal and coke sales should result in revenues at PLN2.5bn, a 7% q/q and 15% y/y declines. Please note that prices' declines proved substantially more important than minor 4Q2024's q/q coke / metcoal volume increase.

4Q2024 opex should remain on the rise, driven by inflationary trends and early-2024 personnel cost opex expansion agreements. The latter should result in 4Q24E personnel opex (coal segment) at PLN1.14bn, only PLN40mn lower q/q despite the lack of 3Q2024's PLN145mn one-off. Still, minor coal production improvement q/q should trim 4Q2024E unit MCC to PLN735/t. At coke, very low production and fairly weak sales volumes should lift unit CCC to all-time high PLN379/t, we calculate, not to mention that 4Q2024's coal own usage grew to 1.49x (metcoal-to-coke), which effectively ate ~0.1mt of JSW's own metcoal (PLN74mn drag to future metcoal sales).

Overall, we expect strong weakening of all-product prices and lack of personnel opex cuts should result in JSW's 4Q2024E EBITDA at PLN0.5bn loss. Capex remains an unknown, but we expect the company may burn over PLN1bn cash this quarter.

[-] PLN0.7bn reported 4Q24P EBITDA loss, PLN0.4bn below consensus

[published within Santander's Equity Daily on March 06, 2025]

Yesterday the company published its preliminary FY2024 results. The final results are scheduled to be published on April 08, 2025.

The company did not disclose any potential one-offs affecting its 4Q2024P results. Additionally, the company presented FY24 volumes of coal production (12.25mt), metcoal production (9.92mt) and coke production (3.06mt), all in line with previously presented KPIs for 4Q2024.

Fig. 4. JSW: 4Q2024P results' review

PLNmn	2Q23	3Q23	4Q23	1Q24	2Q24*	3Q24	4Q24P	*y/y*	*q/q*	*SANe*	*Cons.*
Sales	4 139	3 402	2 946	3 415	2 739	2 690	**2 482**	*-15.7%*	*-7.7%*	*2 505*	*2 496*
EBITDA	1 369	531	700	532	-5	18	**-696**	*n.m.*	*n.m.*	*-455*	*-327*
EBITDA margin	*33.1%*	*15.6%*	*23.7%*	15.6%	-0.2%	*0.7%*	***-28.0%***	*-51.8*	*-28.7*	*-18.2%*	*-13.1%*
EBIT	961	85	206	48	-533	-313				*-786*	*-682*
EBIT margin	*23.2%*	*2.5%*	*7.0%*	1.4%	-19.5%	*-11.6%*				*-31.4%*	*-27.3%*
Net profit	787	-1 209	153	-10	-909	-309	**-914**	*n.m.*	*n.m.*	*-786*	*-596*
Net margin	*19.0%*	*-35.5%*	*5.2%*	-0.3%	-33.2%	*-11.5%*	***-36.8%***	*-42.0*	*-25.3*	*-31.4%*	*-23.9%*

*Source: Company data, Santander Brokerage Poland estimates, * 2Q2024 results adjusted for PLN6.3bn provision*

Comment: Negative. It is impossible to comment on preliminary results without the knowledge of potential one-offs. The reported EBITDA loss settles at PLN0.7bn, PLN0.4bn below market consensus and PLN0.25bn below Santander's most conservative loss estimate. Also, the company informed in its communiques that it burnt PLN1.4bn cash in 4Q2024. These two (EBITDA and cash burn) warrant Negative results' outlook.

Other Stories

[-] 3Q/4Q2025E metcoal benchmarks down 17% in two months

[published as separate Flashnote on March 14, 2025]

In the last few days the Australian high-grade metcoal benchmark fell to USD175/t. It represents strong USD35/t decline year-to-date, and current metcoal prices have fallen to levels observable prior to the Russian assault on the Ukraine.

Fig. 5. JSW's metcoal benchmarks [PLN/t]

Source: Blomberg

Fig. 6. Metcoal / coke benchmarks, 2Q24-4Q25E [PLN/t]

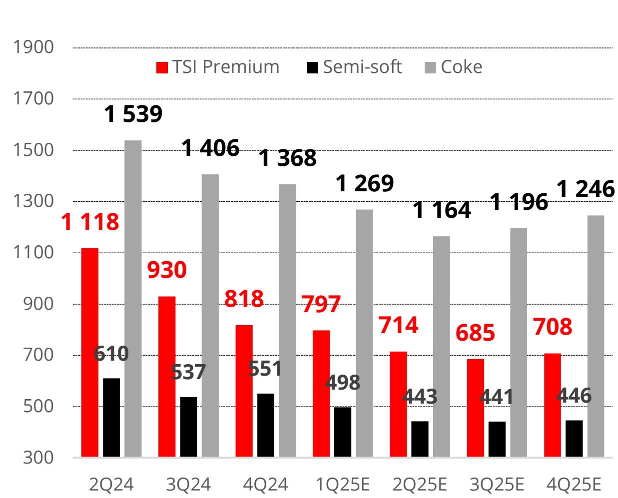
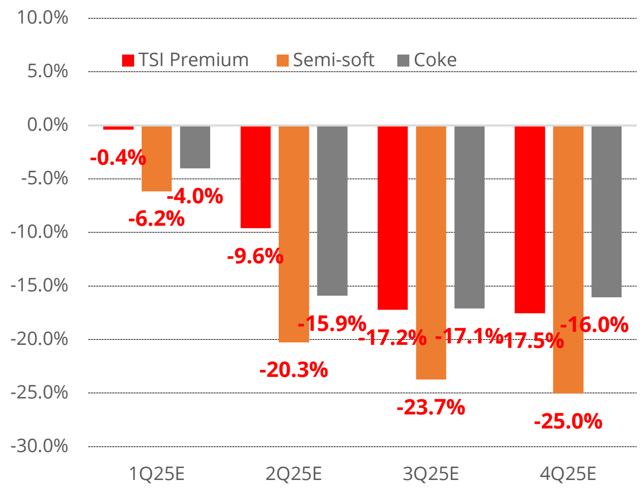


Fig. 7. Changes* to JSW benchmarks: mid-Mar25 vs Jan25



*Source for both graphs: JSW, Australian metcoal futures by Bloomberg, Santander Brokerage Poland estimates, * changes to Santander's calculations, resulting from last month's data, Bloomberg metcoal monthly futures and USDPLN exchange rates' update*

Comment: Strong Negative to JSW's short- to long-term fundamental outlook, Negative to coming quarters' results. +PLN8bn in three-year gains from the official volume- and price-based Transformation Program might be gone with the (Australian) wind, potentially?

Europe (and numerous local stocks / sectors) seems to be excited with the potential rising local warfare spending, but the outlook presented by the Australian metcoal price trend seems neglecting that, we conclude. Potentially, the Asian prices might remain under the negative influence of 1) downside risks to the world's GDP growth, 2) La Nina volume risk fading away for minimum several months, and 3) Australian plans to increase its annual metcoal production volumes. Moreover, zloty keeps strengthening, which doubles the negative pressure onto JSW's realized metcoal prices (JSW is benchmarking its sales to Australian prices).

Overall, we calculate that the **two-month decline of JSW's metcoal benchmark settles at -10% for 2Q2025E, further expanding to over -17% in 3Q/4Q2025E**. Also, we claimed that 4Q2024 metcoal benchmark was low at PLN818/t, but we calculate that JSW's realized metcoal price might fall to **PLN685/t in 3Q2025E, down 16% vs 4Q2024**. These detrimental changes at prices (coke might follow metcoal prices, we assume) may easily cancel out any hypothetical volume upside, we note.

Furthermore, the company's management said that the Transformation Plan (and its several billion zloty of wins) has been prepared at 2025's metcoal price at some USD235/t, growing thereafter to USD260/t in 2027 (all probably at USDPLN close to 4.0x, we assume). In current environment of metcoal prices at USD175/t (prior to any potential discount, and in the recent quarters JSW's discounts have expanded to ~10%, we note), **we believe the management might be forced to call off Transformation Plan gains**, especially as this year's volume has already been cut by 800k due to the recent force majeure.

[-] Rainy Day Fund withdrawals expand to five-month PLN3.15bn; unionists see no room for significant volume improvement

[published as separate Flashnote on March 06, 2025]

Yesterday the company announced another PLN0.3bn Rainy Day Fund amortization, totaling PLN3.15bn in five months. Additionally, trade unionists see no room for significant coal production volume, acc. to one of unionist's webpage. Below we comment on these in greater detail.

[-] Another PLN0.3bn Rainy Day Fund's amortization

Yesterday the company's management agreed on amortization of PLN300mn from JSW's Rainy Day Fund. If Supervisory Board approves it (very likely), the total amount of cash withdrawals would have totaled at PLN1.75bn year-to-date in 2025. The total amount of cash allocated at the company's Rainy Day Fund would have dropped to PLN2.17bn, acc. to the communique.

Comment: Negative. So far the company has burned **PLN1.75bn in 64 days, probably the quickest cash-burn ever recorded in JSW. In five months since October 2024, the company's withdrawals would have totaled PLN3.15bn**, we note.

We are aware that 4Q and 1Q are commonly the most difficult with respect to cash management, but the scale of cash-burn (PLN3.15bn in 5 months) comes in stunning, we admit. We expect 1Q2025E volumes should come in weak due to the most recent force majeure, but we note that at the same time **zloty remains strong and metcoal prices keep eroding, which should have strong negative impact on 2Q2025E** results and cash generation, we calculate.

Please also keep in mind that JSW will have to spend extra PLN0.4bn on its employees, the payment due in April 2025. Overall, bearing in mind five-month PLN3.15bn cash burn, **any downturn at**

either production volumes (another force majeure?) or at zloty-denominated metcoal price might hypothetically expose the company's solvency already on the turn of 3Q/4Q2025E.

[-] Meeting management-unionists unproductive, unionists see no room for significant volume improvement

Yesterday JSW's trade union's webpage kadrapniowek.pl disseminated a note prepared after the meeting between the management and unionists, that took place on March 04, 2024.

Acc. to the note, the meeting ended inconclusive. Also, despite efforts of JSW's workforce, unionists see no room for significant coal production improvement. Moreover, they believe that proposals of A.T. Kerney do not solve the company's problems. Finally, unionists underline management's unwillingness to cooperate with the social side.

Strong Negative, Potentially. We believe that the short statement "**unionists see no room for any significant coal production increase**" represents the most worrying statement. In our view, the fundamental case of JSW might hold only if 1) zloty-denominated metcoal prices grow significantly from current levels, or 2) annual coal production volumes exceed 14mt threshold for good.

If the geology remains un-supportive, or unionists and workers apply an "Italian strike" to proposals of A.T. Kerney (which would have resulted in weak volumes, too), JSW's production volumes would remain weak, we conclude. Please note that the European defense spending might increase multi-year demand for steel, but potential low volumes might turn JSW into an un-reliable provider of coal / coke volumes, which along with booming opex might pose a material downside risk to the company's existence in its current shape.

[-] Force majeure announced, min. negative volume impact at 800kt in 2025

[published as separate Flashnote on January 30, 2025]

Yesterday the company officially announced force majeure event, related to the most recent underground methane fire at Knurow-Szczyglowice mine. The total early estimate of 2025 volume loss has been presented at 800kt.

Today at 9:00 CET the company will host a confcall to discuss it in greater detail.

Strong Negative. It turns out that last week's event might be one of the most negative ones with respect to the future coal volume reduction. 0.8mt cut would represent a 5.5% cut to FY2025 volumes, assuming the latter at ~14.5mt (the company's unofficial guidance, originating from Transformation Program details presentation). Knurow-Szczyglowice coal is a mix of 70% metcoal and 30% thermal coal, but the mine produces high-quality metcoal, hence we would assume the average price of Knurow-Szczyglowice coal might not divert much from average metcoal (at PLN800/t). In such case, **we would estimate the force majeure's implied top line / EBITDA loss at min. PLN600mn in 2025E**.

Also, the unofficial FY2025 coal production goal might be curtailed to 13.7mt at best.

More importantly, in the aforementioned Transformation Program we saw no safety valves for force majeure events – we assume the Cash Flow upsides were presented assuming uninterrupted underground production. Hence, we assume that last week's force majeure might result in substantial underperformance vs y/y cash upside seen officially at ~PLN3bn for 2025 (not to mention that metcoal prices and zloty settle way below the company's internal expectations).

Please note that last week's force majeure is the third large-scale event in the last 12 months, and the fifth large-scale event in the last 24 months. Having said this, rational investor might be expecting minimum one more underground event in 2025. If we are right, the downside to JSW's coal production volume may expand further, detrimental of JSW's results, FCFs and valuation

[-] La Niña seems gone, Australian metcoal exports to increase 16% in two years

[published within Flashnote on December 23, 2024]

Comment: Negative. Acc. to IRI ENSO experts, this year's La Nina has officially dried up, and Neutral weather outlook has become a dominant one. While the unexpected climatic events (heavy rainfall, cyclones) cannot be ruled out, the likelihood of prolonged detrimental conditions for metcoal (mines put on hold, problems with country's logistics and shipments) have seemingly gone, we believe. This should certainly have negative impact on metcoal price outlook, we conclude.

Additionally, the **conclusions of the quarterly update on metcoal published by the Australian government are negative**, too. Australians expect **multi-year ramp-up in their metcoal production and exports**, the latter seen rising 16% in 2026 vs 2024, representing ~7% of the world's total metcoal trade volume. Also, Australians point at **demand risks**, with the global steel production outlook revised down. These result in the A**ustralian metcoal price outlook cut to USD205/t** until mid-2025 (from USD231/t previously).

Also, acc. to our calculations, the management's PLN8.7bn worth-of-"restructuring" initiatives (presented several weeks ago) rely almost entirely on metcoal price rallying 15% p.a. (responsible for PLN8.1bn of the above-mentioned plan). Also, the CEO made it clear that he does not plan any restructuring at personnel opex (workforce or salaries). If metcoal price fails to grow (not to mention its potential further declines), the official JSW's plan would NOT generate any savings, we believe, keeping quarterly cash burn at +PLN0.6bn in 2025 and +PLN0.9bn beyond, we conclude.

La Niña has (officially) d(r)ied out this season...

According to the research of IRI ENSO experts' (probabilistic approach to El Niño / La Niña occurrence), both oceanic and atmospheric indicators remain in an ENSO-neutral state. The IRI ENSO prediction plume forecasts slightly higher chances (59%) for ENSO-neutral conditions for Dec-Feb, 2025, with a continuation of ENSO-neutral conditions from Jan-Mar, 2025 to Jul-Sep, 2025. For Aug-Oct 2025, no specific ENSO category emerges as favored. In summary, ENSO-neutral conditions are expected to persist through the boreal winter, spring, and summer of 2025..

Acc. to mid-Dec2024 analysis, La Niña likelihood slid across the entire monthly curve, down to 41% for Jan2025 and 19% in May2025. Still, La Nina odds have outgrown El Nino odds later onward, up to 36% likelihood again.

Fig. 8. Odds of El Niño / La Niña: mid-Dec2024 f'cast

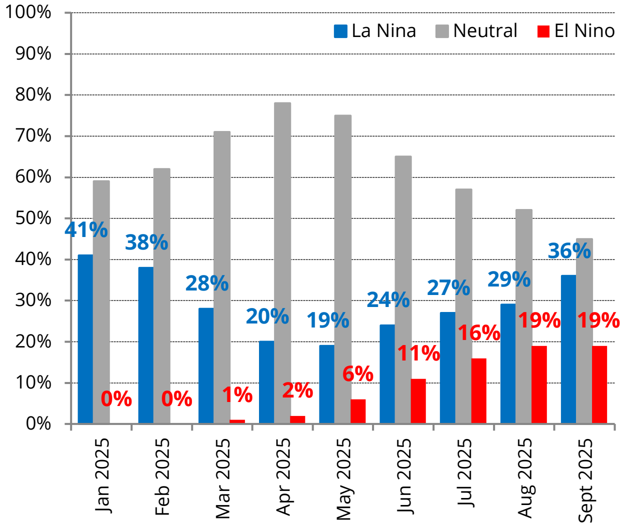
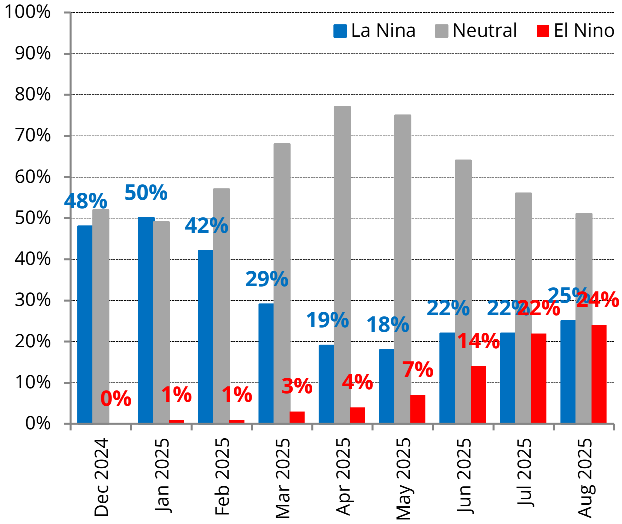


Fig. 9. Odds of El Niño / La Niña: mid-Nov2024 f'cast



Source for both graphs: IRI ENSO forecast, Santander Brokerage Poland estimates

Comment: Negative. The Australian experts' ENSO forecast no longer mentions La Nina climatic event for this season, seeing the weather in Australia at Neutral until summer 2025. It should result in falling likelihood of any upward pressure on metcoal prices, hypothetically driven by the weather (floodings at mines, bottlenecks at logistics and queues in the ports). That would have negative implications for metcoal benchmarks and JSW's realized prices in coming quarters, we note.

Australian metcoal outlook: ramp-up at export volumes; demand outlook uncertain; mid- and long-term metcoal price at USD205/t

Last Friday the Australian government's Department of Industry, Science and Resources published its quarterly product "Resources and Energy quarterly, December 2024". It includes in-depts outlook per several commodities, including demand / supply and price forecasting. Below we present key takeaways regarding metcoal (excerpts from the official presentation):

- **Australian metcoal volumes are to grow over the next five years as new mines ramp up**. Australia expects its export volumes to rise from 151Mt in 2023–24 to 174Mt by 2025–26;
- Weather-related **supply side risks have moderated** since the September Resources and Energy Quarterly. Meteorological agencies are reporting that the La Niña weather pattern is likely to be relatively weak and short-lived, reducing the risk of supply disruptions on Australia's east coast. Ongoing supply from Russia (11% of global supply) remains a key uncertainty;
- The **demand outlook remains uncertain**, as global import volumes have remained robust despite deteriorating steel market conditions. Increasingly protectionist global trade policy presents a risk to Chinese steel exports. China consumes approximately half the world's metallurgical coal so this presents as a key risk to demand. The potential for negative profits at high-cost mines are expected to limit the risk of muted demand flowing through to prices below USD200 a tonne;
- World **steel production growth has been revised down** to 0.9% for 2025 and 1.3% for 2026, see Iron ore chapter. Despite a contraction in Chinese steel production in 2024 and

expected declines in 2025 and 2026, the addition of new steelmaking capacity in India and other major regions outside of China results in net growth in global steel production;

- **Metcoal prices are expected to average around US$205 a tonne during the outlook period, but will be subject to high volatility** given market illiquidity and the potential for steel trade flows to vary with geopolitical and trade policy changes. A **reduced likelihood of La Niña weather disruptions results in an upward revision to export volumes**, offset by a downward revision in export prices in 2024-25. The Australian experts cut short-term metcoal prices to USD210-211/t in Mar-Jun2025 from USD230/t previously, keeping these at USD205/t in the long term.

[-] The Day when All Net Cash is Spent: December 05, 2026E, or Mar2026E?

[published within Flashnote on December 17, 2024]

Fig. 10. Cash position, assumed PLN1bn p.a. personnel cut
The Australian metcoal benchmark

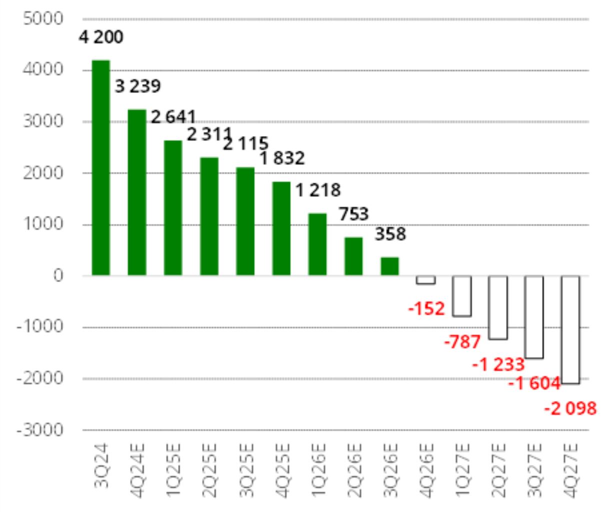
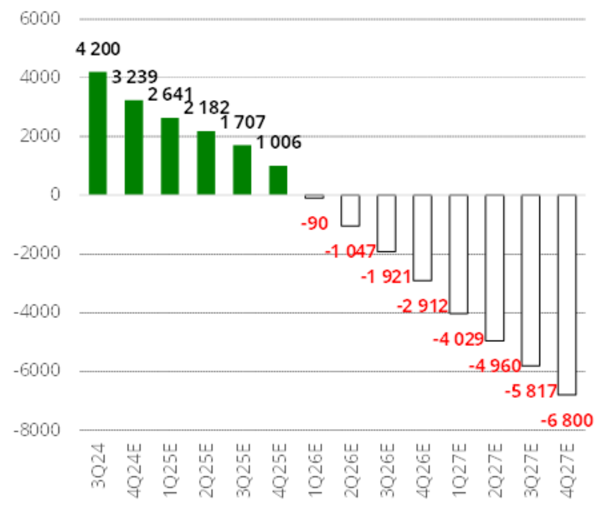


Fig. 11. Cash position, assumed PLN1bn p.a. personnel cut
The Chinese metcoal benchmark



Source for all charts: company, Santander Brokerage Poland estimates, all data in PLNmn

Basis for SAN multi-quarter estimates:

- Recently the company's management presented 2025-27 initiatives, highlighting their joint three-year potential positive impact at PLN8.7bn. We did the math, and acc. to our calculations the management's three-year PLN8.7bn EBITDA / capex upside stems from assumption of metcoal prices rising by some 15% per annum;
- At personnel opex, please note 2Q2024 agreement with the trade unions implies PLN100mn opex upside in 1/2Q2025E. We expect no personnel cuts. We assume no wages' cut, and wages' growth at nil until 2028. We assume personnel opex will be reduced by PLN1,000mn per annum in years 2026E & 2027E (Santander's own hypothesis, no news substantiating that assumption from the company yet);
- Coal production. We assume 2025E coal volume at 13.25mt, incl. coking coal share at 88%. We keep our volume forecasts unchanged in the long term (below management's

suggestion of 14.5mt in 2026 due to low 2025 capex and rising negative impact of underground force majeures);

- Metcoal / coke prices. We apply USDPLN exchange rate at 4.06x for the entire forecasting period. At metcoal, we apply Australian monthly futures (USD207/t in Jan2025, up to USD216/t in Mar2025, USD222/t in May2025 and USD235/t in Oct2025). Please note that JSW applies 5-month benchmark, thus low Sept-Dec2024 prices would be depressing 4Q2024-2Q2025 JSW's benchmarks (realized price substantially below monthly futures). We assume coke prices would be changing in line with monthly metcoal prices. The Chinese metcoal prices (one of scenarios presented) settle at USD156/t for Jan2025, USD169/t in Jun2025, and USD181/t in Nov2025;
- Inventory. We assume JSW's metcoal and coke sales would equal production. Still, we assume thermal coal sales would remain weaker to production, triggering steady inventory growth (lasting drag to cash generation, we assume).

Comment: Negative, Net Cash to Turn Negative in 2026E? We believe that 1) the lack of real in-depth restructuring of personnel opex (half of total company's COGS), 2) high must-have capex, and 3) highly likely underground force majeures (undercutting company's production & sales capacity) should result in JSW's continued quarterly cash burn, making the company run out of its today's Net Cash in 2026E.

We assume JSW may nullify its Net Cash on December 05, 2026E, if current Australian metcoal monthly future prices hold, and the company implements PLN1bn cut to annual personnel opex as of 2026E. In scenario "Australian benchmarks & no personnel cuts", the company would nullify it on June 23, 2026E, and in scenario of metcoal benchmarks falling to the Chinese levels (USD186/t), the Net Cash could be zeroed in late March 2026E.

The management presented recently initiatives set to improve JSW's cash generation by PLN8.7bn in years 2025-27, but we believe that plan relies in full on a 15% annual metcoal price expansion, which would add PLN8bn to JSW's cash flows, acc. to our calculations. If metcoal price expansion fails to materialize, we believe the planned PLN1.5bn cut to capex would represent the only one material cash flow upside, potentially easily cancelled out via potential underground force majeures.

Certainly, our calculations are highly vulnerable to metcoal price changes. In this light, developments in China (local metcoal price falling to 12-month low at USD156/t) and La Nina set to fade away in March 2025 might potentially weaken our EBITDA / OpCF estimates. On the opposite, any strong personnel opex cut (10-15% workforce cut, salaries' cut or implementation of the strict linkage to JSW's volumes or profits) could represent a potential game-changer for the stock, but its materialization prior to the Polish Presidential elections is highly unlikely, we assume.

[-] No personnel opex cuts, PLN3.1bn of extra opex, 2025-27E PLN8.1bn upside at top line (metcoal price at 15% CAGR / no force majeures?)

[published as separate Flashnote on December 02, 2024]

Key takeaways from Friday's conference call with JSW management:

- Stagnation in China, local crisis at real estate market makes the Chinese producers export steel, weakening the European steel segment;
- Personnel costs. The management plans no personnel restructuring. There is need for equalization of different salary mechanisms, and that is what the management and trade unions are negotiating presently. The company is not hiring new employees, and within natural redundancies headcount was reduced by 202 employees;
- The change at purchasing schemes need time to be implemented, thus 2025's expected positive impact at PLN300mn only (followed by PLN0.6bn positive impact in years 2026/27 apiece);
- The company is not in position to estimate the amount of metcoal and coke finally used in the European automotive industry;
- "Effective Mine" project should result in 14.5mt in 2026, the company claims. The company assumes an increase of metcoal share in coming years;
- Debiensko project remains a theoretical one. It would have to be initiated with research license. In the long-term, the company assumes there could be upside to JSW volumes from that area;
- The company plans to optimize its capex in light of future estimated production volumes;
- In 2024, JSW mining entity trimmed its capex by PLN280mn. Additionally, some additional capex and opex adjustment were applied in JSW Koks, totaling PLN200mn.

Additionally, the parent company will write-down PLN1.2bn of its JSW Koks subsidiary.

Fig. 12. Cash Generation, official plan [PLNmn]

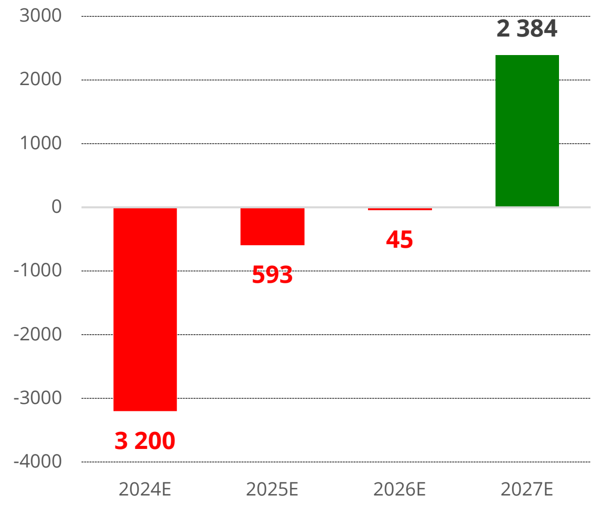


Fig. 13. Cash Generation, metcoal @ USD215/t [PLNmn]

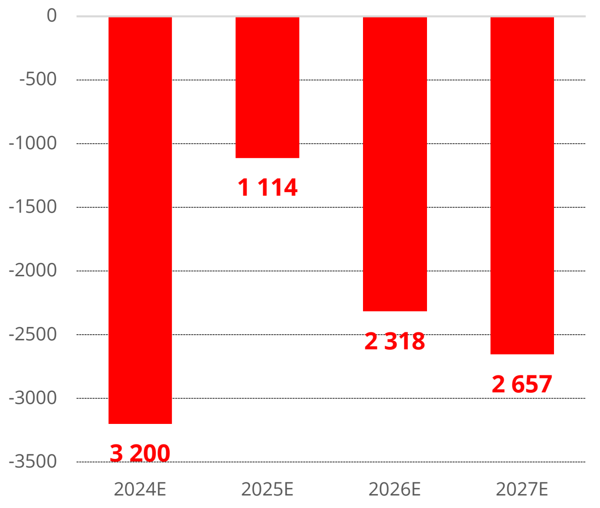


Fig. 14. Cash Gen., metcoal USD215/t & vol.13.5mt [PLNmn]

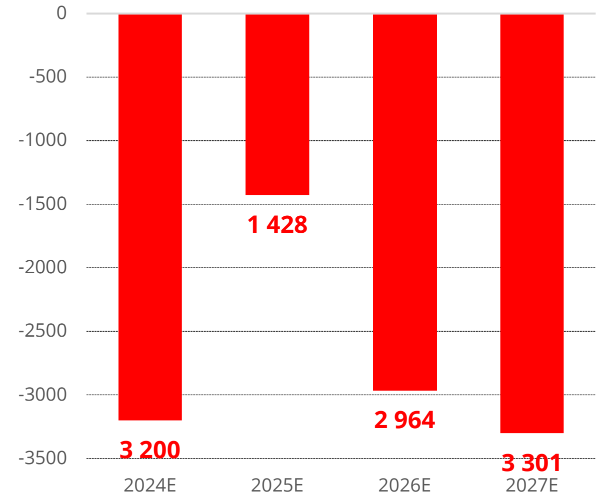
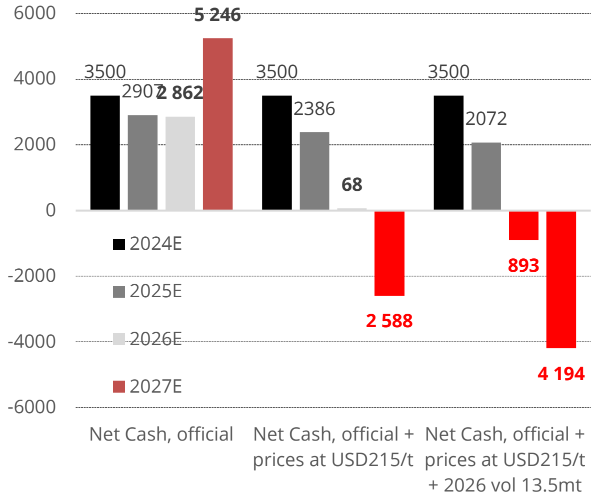


Fig. 15. JSW's 2027E Net Cash, scenarios [PLNmn]



Source: all data Santander Brokerage Poland estimates, all top line and opex changes adjusted for tax

Comment: Negative. No personnel opex cuts; official volume guidance cut to 14.5mt; capex cut seems too strong in 2025 (and capex rebounds to PLN4.0bn afterwards). Most importantly, the company guides for extra PLN3.8bn opex (guaranteed) in attempt to achieve (totally unpredictable) PLN8.1bn top line upside (assuming no force majeure ever, and metcoal prices rising at 15% CAGR). These are not totally improbable, but exceptionally unlikely, we conclude.

Extra opex at PLN3.8bn, PLN8.1bn upside exclusively from top line. The details of Intelligent Mine upsides seem quite disconcerting, we believe. As we read that, the company promises us extra PLN0.7bn opex in 2025E, extra opex at PLN1.7bn in 2026E and extra opex at PLN1.3bn in 2027E, to deliver on volume guidance at 14.5mt. The company presents top line upsides as granted, which could be correct if 1) we had 100% certainty in 2026/27E volumes and 2) JSW would enjoy three-year hedging at prices. It is actually totally opposite: JSW is highly exposed to geological events (six majors in last two years), and it has got zero control over future prices. We calculate the company prepared its program using metcoal prices at PLN920/t in 2025E (3% y/y growth), PLN1,084/t in 2026E (18% growth y/y) and PLN1,355/t in 2027E (25% y/y growth). Such steep growth of metcoal seems to represent an exceptionally aggressive scenario, we claim. Hence, as we believe that PLN8.1bn of "JSW initiatives" presented originates from high-risk top line developments, we see "Transformation Plan" outcomes highly uncertain, too.

14.5mt, new long-term metcoal volume goal. The company guides for 2026's production at 14.5mt p.a., and it did not hint on any further increases. Therefore, we believe we have just received not-officially-highlighted volume guidance cut from 15.6-16.1mt previously to flat 14.5mt, it seems.

Capex one-off cut? In 9M2024 the company capex stood at PLN2.8bn in mining, PLN0.3bn in coke and PLN0.1bn in other segments. We would expect growth in planned production to 14.5mt p.a. would require minimum this level going forward. Also, coke and other segments should require minimum PLN0.2-0.3bn capex per annum going forward. The management suggests 2025's PLN1.5bn capex cut refers to 2024's levels, potentially implying 2025E capex at PLN2.5bn. We believe it might not be enough to maintain 14.5mt production level, and thus we miss capex catch-ups in years 2026/27E. These would reduce the amount of total savings in 2026/27, we note.

Lack of personnel restructuring, officially. We believe there is no JSW's restructuring without personnel opex cuts, and the management openly states there would be no cuts in area representing 47% total Group costs. Also, the management points at 200 voluntary leaves in JSW parent company, but we did not hear that the Group's personnel was cut at the same scale.

Debiensko, a long-term shot. The management said that even if the company got green light at Debiensko project, it would have to begin it from the scratch (research license etc.). The management said that aloud that Debiensko might represent a long-term upside, and we doubt the first coal coming earlier than in late 2026E. Moreover, please note that Debiensko project's data circulating (incl. MCC at USD47/t, annual production 2.6mt) have been aggressive several years ago, and today these only mislead investors of this project's hypothetical advantages.

Cash Burn & Net Cash position. We see the company burning PLN3.2bn cash in 2024E, cutting Net Cash to PLN3.5bn in Dec2024E. Please note the company presents top line, opex and capex values, while both top line and opex upsides need adjusting for a 20% tax rate (not mentioned or presented by the company). Also, we assume personnel opex should remain flat, which might come in difficult (bonuses paid in exceptionally weak year 2024, official suggestions of PLN8.5bn "gains" from Transformation, the election year). We calculate that the official assumptions would imply JSW burning cash in 2025&26E (PLN0.5bn and PLN50mn, respectively), followed by PLN2.8bn cash generation in 2027E. However, any less optimistic scenario (force majeure at volumes, metcoal flat at USD215/t) would imply JSW would keep burning PLN1.5-3bn per annum, which could make it insolvent in early 2026E. Please note that we do not present any negative scenario, which could dry up the company's Net Cash until year-end 2025E.

[+/-] Total impact of 2025-27 initiatives at PLN8.5bn, BUT: half originates at top line, not a word on personnel costs' cuts

[published as separate Flashnote on November 26, 2024]

Yesterday the company's SB agreed on hiring AT Kearney to support the company's management in implementation of "Strategic JSW Transformation", which had been drafted in cooperation with AT Kearney. Key themes of the program include:

Mining. Key features: new approach to underground works' planning, setting KPIs for these, new plans of underground walls' exploitation, optimization of No. of employees working underground, changes in underground air-conditioning system, standardization of machinery used by JSW. Implications: 14.5mt coal production in 2026. JSW expects additional profit at PLN0.5bn in 2025, PLN1.6bn in 2026, and PLN2.1bn in 2027;

Opex / Capex. Key features: savings at materials' purchases, existing contracts' aggregation, savings at capex, verification and cancellations of some capex initiatives etc. Implications. Opex: up to PLN600mn opex savings per annum; Capex: one-off PLN1.5bn savings;

Group Optimization. Key feature: optimization of intra-group cooperation across all JSW subsidiaries, in attempt to achieve synergies. Implications: PLN100mn gain, materializing as of 2027;

Other opex-optimizing activities, seen at PLN550mn in 2024. This amount has been incorporated into above-mentioned savings, acc. to the communique's wording.

Fig. 16. JSW: Initiatives' summary – Total acc. to the company

PLNmn	2024E*	2025E	2026E	2027E	Total
Volume / Price		500	1600	2,100	**4,200**
Opex		600	600	600	**1,800**
Capex		1500			**1,500**
Support				100	**100**
Other	549				**549**
Annual EBITDA	**758**	**1,858**	**3,458**	**5,658**	
Annual Cash Burn	**-3,505**	**-1,125**	**155**	**1,915**	
Year-end Net Cash	**3,200**	**2,075**	**2,230**	**4,145**	

*Source: Company Data, Santander Brokerage Poland estimates, * own estimates for 2024E EBITDA, Cash Burn and year-end Net cash, later onward savings adjusted for tax paid*

Fig. 17. JSW: Initiatives' summary – Total excluding top line impact

PLNmn	2024E*	2025E	2026E	2027E	Total
Volume / Price		0	0	0	0
Opex		600	600	600	1,800
Capex		1500			1,500
Support				100	100
Other	549				549
Annual EBITDA	**758**	**1,358**	**1,358**	**1,458**	
Annual Cash Burn	**-3,505**	**-1,525**	**-1,525**	**-1,445**	
Year-end Net Cash	**3,200**	**1,675**	**150**	**-1,295**	

*Source: Company Data, Santander Brokerage Poland estimates, * own annual EBITDA, Cash Burn and year-end Net cash estimates for 2024E, later onward savings adjusted for tax paid*

Comment: The fact that the company has finally presented restructuring plan is Positive, and the total impact at PLN8.5bn should result in share price re-rating today.

Though, we all knew there must be some restructuring, and we see the details of the communique coming in Negative. 1) Official volume guidance has just been cut to 14.5mt in 2026; 2) half of the positive impact originates from top line developments (JSW has got zero control there, prices & exchange rates might turn upsides into downsides, hypothetically…); 3) there is not a word on personnel opex cuts. All in all, we have no guarantee whatsoever at top line, and opex / capex savings may in theory imply "slower growth vs JSW's budget", instead of opex cuts.

Financials. If all initiatives are delivered, JSW would still burn PLN1.1bn cash in 2025E, and rising volumes and prices should lift EBITDA to PLN3.4bn in 2026E and PLN5.6bn in 2027E. However, JSW has got zero control over metcoal prices. If we exclude top line gains from the calculations, we would arrive at annual EBITDA at PLN1.4-1.5bn, and annual cash burn at PLN1.3bn, which would make the company insolvent in 2027E, we calculate.

Where is Personnel restructuring? Personnel opex represents 46% of Group's total opex, it is also the one that was growing at the fastest pace, and the company has been pointing at plummeting effectiveness. There is no opex restructuring without massive personnel opex cuts, we believe.

Volume Guidance Cut? The last JSW's strategy, published in 2023, was officially pointing at 15.6mt coal production in 2026, and 16.1mt in 2030. Yesterday's communique suggests 2026 volume at 14.5mt only. This statement 1) officially lowers JSW volume guidance, and 2) suggests that 2025E volumes might be higher y/y but still disconcerting.

Capex. The company eyes PLN1.5bn one-off saving at 2025's capex (similar to PLN1.4bn leaked in early Oct2024). However, we believe it might represent the cut vs the company's internal (very high and undisclosed) 2025 capex plans, rather than cut in capex to PLN2.5bn from 2024E's PLN4bn. It might imply that investors would not be negatively surprised with very high 2025E capex, but capex cannot be low if the company eyes production growth, we assume.

2027's PLN2.1bn upside: JSW assumes metcoal price growth? We calculate that JSW may be applying 2024 average metcoal / thermal coal prices in its estimates concerning 2026E top line impact. However, if 2027 volume remains flat at 14.5mt, PLN2.1bn of 2027's further top line upside might be achieved only thanks to metcoal price's 20% y/y growth, we assess.

Key assumptions and forecast changes

In our core scenario (low-price scenario, previously regular scenario), we set **metcoal prices** at USD205/t (USD19/t lower vs previous research report), based on Jan2027 metcoal futures. The alternative scenario (high-price scenario, previously La Niña scenario) relies on long-term metcoal prices at USD250/t. Also, in line with the management's hinting on rising Chinese / Indonesian coke imports to Europe, in the long term we lower coke-to-metcoal ratio to range from 1.2x (high metcoal prices) to 1.4x (low metcoal prices), vs 1.4-1.6x previously.

Volumes. The company posted FY2024 coal production at 12.25mt. The official Transformation Plan guides for 14.5mt production in 2026E and 16.5mt in 2027E. However, we note that in early 2025 the company faced another underground geological event, cancelling out 800kt of coal production in 2025E. Thus, in light of persisting geological hazards (five material underground force majeures in two years), risk to JSW reserves (management's statement) and trimmed capex, we see JSW's coal production volume at 14.5mt per annum as of 2026E. This represents a 1.25mt annual upside, compared to the previous report.

At **opex**, based on management's set of assumptions (presented at 1H2024 financial report), in our model we assumed lack of wage growth in years 2025 & 2026, and we also applied management-driven 2.63% growth rate as of 2027E. With respect to opex cutting initiatives, we trust in the management's effectiveness, and we maintain PLN588mn of annual opex savings (unrelated to social side's approval) terminally as of 2025E. However, as the management stresses that the company would not be implementing any personnel opex cuts, in our model we cancel out PLN850mn savings per annum in years 2026E and 2027E.

Fig. 18. JSW: Key assumptions – low-price scenario (52% probability)

	unit	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	...	2030E
USDPLN exchange rate		3.78	3.61	3.84	3.92	3.87	4.46	4.21	4.00	3.85	3.85	3.85		3.85
Realized Prices														
Thermal coal	USD/t	55	69	71	64	58	102	167	114	100	91	87		87
Coking coal (incl. discount)	USD/t	173	183	165	112	162	341	278	226	183	210	210		210
Coke	USD/t	250	303	276	186	329	491	355	325	317	298	311		335
Thermal coal	PLN/t	207	248	273	250	224	457	703	455	387	349	336		336
Coking coal (incl. discount)	PLN/t	656	658	634	440	631	1,513	1 121	901	706	809	809		809
Coke	PLN/t	943	1,094	1,058	762	1,280	2,184	1 495	1 296	1 219	1 149	1 196		1 288
Volumes - Production														
Thermal coal	kt	4,093	4,670	4,554	3,323	2,750	3,082	2 629	2 318	1 675	1 813	1 813		1 813
Coking coal	kt	10,676	10,349	10,208	11,062	11,006	10,985	10 876	9 933	11 725	12 688	12 688		12 688
Total coal	kt	14,768	15,020	14,762	14,385	13,756	14,067	13 505	12 251	13 400	14 500	14 500		14 500
Coke	kt	3,458	3,563	3,169	3,331	3,659	3,221	3 351	3 060	2 760	2 760	2 760		2 760
Volumes - Sales														
Thermal coal	kt	4,167	4,366	3,882	3,196	3,332	3,563	2 518	1 811	1 675	1 813	1 813		1 813
Coking coal	kt	5,901	6,001	5,807	6,313	6,938	6,451	6 277	5 667	8 041	9 003	9 003		9 003
Total coal	kt	10,068	10,366	9,688	9,509	10,270	10,014	8 795	7 478	9 716	10 816	10 816		10 816
Coke	kt	3,460	3,538	2,929	3,642	3,611	3,228	3 320	3 228	2 760	2 760	2 760		2 760
Costs														
Mining Cash Costs	PLNmn	4,616	5,954	6,314	5,860	6,150	7,652	9 467	9 642	8 811	9 002	9 046		9 701
Unit Mining Cash Costs	PLN/t	314	399	429	407	447	544	701	787	658	621	624		669
Cash Conversion Cost	PLNmn	515	575	608	593	633	812	1 055	997	928	946	961		1 010
Unit Cash Conversion Cost	PLN/t	149	162	194	178	173	252	315	326	336	343	348		366

Sources: Company data, Santander Brokerage Poland estimates

Fig. 19. JSW: Key assumptions – high-price scenario (48% probability)

	unit	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	...	2030E
USDPLN exchange rate		3.78	3.61	3.84	3.92	3.87	4.46	4.21	4.00	3.85	3.85	3.85		3.85
Realized Prices														
Thermal coal	USD/t	55	69	71	64	58	102	167	114	100	91	87		87
Coking coal (incl. discount)	USD/t	173	183	165	112	162	341	278	226	183	250	250		250
Coke	USD/t	250	303	276	186	329	491	355	325	317	355	370		398
Thermal coal	PLN/t	207	248	273	250	224	457	703	455	387	349	336		336
Coking coal (incl. discount)	PLN/t	656	658	634	440	631	1,513	1 121	901	706	963	963		963
Coke	PLN/t	943	1,094	1,058	762	1,280	2,184	1 495	1 296	1 219	1 368	1 423		1 534
Volumes - Production														
Thermal coal	kt	4,093	4,670	4,554	3,323	2,750	3,082	2 629	2 318	1 675	1 813	1 813		1 813
Coking coal	kt	10,676	10,349	10,208	11,062	11,006	10,985	10 876	9 933	11 725	12 688	12 688		12 688
Total coal	kt	14,768	15,020	14,762	14,385	13,756	14,067	13 505	12 251	13 400	14 500	14 500		14 500
Coke	kt	3,458	3,563	3,169	3,331	3,659	3,221	3 351	3 060	2 760	2 760	2 760		2 760
Volumes - Sales														
Thermal coal	kt	4,167	4,366	3,882	3,196	3,332	3,563	2 518	1 811	1 675	1 813	1 813		1 813
Coking coal	kt	5,901	6,001	5,807	6,313	6,938	6,451	6 277	5 667	8 041	9 003	9 003		9 003
Total coal	kt	10,068	10,366	9,688	9,509	10,270	10,014	8 795	7 478	9 716	10 816	10 816		10 816
Coke	kt	3,460	3,538	2,929	3,642	3,611	3,228	3 320	3 228	2 760	2 760	2 760		2 760
Costs														
Mining Cash Costs	PLNmn	4,616	5,954	6,314	5,860	6,150	7,652	9 467	9 642	8 811	9 002	9 046		9 957
Unit Mining Cash Costs	PLN/t	314	399	429	407	447	544	701	787	658	621	624		687
Cash Conversion Cost	PLNmn	515	575	608	593	633	812	1 055	997	928	946	961		1 010
Unit Cash Conversion Cost	PLN/t	149	162	194	178	173	252	315	326	336	343	348		366

Sources: Company data, Santander Brokerage Poland estimates

Fig. 20. JSW: Forecasts' changes (low-price scenario, 52% probability)

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	11380	11669	*-2%*	10931	11494	*-5%*	12348	11544	*7%*
EBITDA	54	961	*-94%*	299	1480	*-80%*	2017	2729	*-26%*
EBIT	-7920	-7320	*n.m.*	-1126	-557	*n.m.*	491	592	*-17%*
Net profit	-6656	-6162	*n.m.*	-1081	-684	*n.m.*	307	244	*26%*

Source: Santander Brokerage Poland estimates

Fig. 21. JSW: Santander vs. market consensus (low-price scenario, 52% probability)

PLNmn	2024E			2025E			2026E		
	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*
Sales	11380	11470	*-1%*	10931	11527	*-5%*	12348	11409	*8%*
EBITDA	54	786	*-93%*	299	1524	*-80%*	2017	2589	*-22%*
EBIT	-7920	-7494	*n.m.*	-1126	-514	*n.m.*	491	452	*9%*
Net profit	-6656	-6305	*n.m.*	-1081	-649	*n.m.*	307	131	*135%*

Source: Bloomberg, Santander Brokerage Poland estimates

Fig. 22. JSW: Forecasts' changes * (high-price scenario, 48% probability)

PLNmn	2024E			2025E			2026E		
	New	Previous	*Change*	New	Previous	*Change*	New	Previous	*Change*
Sales	11380	11470	*-1%*	10931	12062	*-9%*	14384	12814	*12%*
EBITDA	54	786	*-93%*	299	2222	*-87%*	4266	4111	*4%*
EBIT	-7920	-7494	*n.m.*	-1126	185	*n.m.*	2741	1974	*39%*
Net profit	-6656	-6305	*n.m.*	-1081	-75	*n.m.*	2130	1368	*56%*

*Source: Santander Brokerage Poland estimates, * new alternative scenario vs previous alternative scenario*

Fig. 23. JSW: Santander vs. market consensus (high-price scenario, 48% probability)

PLNmn	2024E			2025E			2026E		
	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*
Sales	11 380	11 470	*-1%*	10 931	11 527	*-5%*	14 384	11 409	*26%*
EBITDA	54	786	*-93%*	299	1 524	*-80%*	4 266	2 589	*65%*
EBIT	-7 920	-7 494	*n.m.*	-1 126	-514	*n.m.*	2 741	452	*506%*
Net profit	-6 656	-6 305	*n.m.*	-1 081	-649	*n.m.*	2 130	131	*1532%*

Source: Bloomberg, Santander Brokerage Poland estimates

Valuation

DCF valuation

In this report we maintain our short-term 2024-25E RFR at 6.0%, and long-term assumptions at 5.0%.

Fig. 24. JSW: WACC calculation

	Years 2024-25E	Years 2026E onwards
Risk-free rate	6.0%	5.0%
Unlevered beta	1.20	1.20
Levered beta	1.95	1.95
Equity risk premium	6.0%	6.0%
Cost of equity	**17.7%**	**16.7%**
Risk-free rate	6.0%	5.0%
Debt risk premium	1.0%	1.0%
Tax rate	19%	19%
After tax cost of debt	5.7%	4.9%
%D	44%	44%
%E	56%	56%
WACC	**12.5%**	**11.5%**

Source: Santander Brokerage Poland estimates

Fig. 25. JSW: DCF valuation (low-price scenario, 52% probability)

PLNmn	2023	2024E*	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenues	**15 338**	**11 380**	**10 931**	**12 348**	**12 474**	**12 638**	**12 782**	**12 811**	**12 829**	**12 848**
EBIT	2 363	-1 620	-1 126	491	326	60	-74	-325	-589	-863
Cash taxes on EBIT	2 031	0	0	74	23	0	0	0	0	0
NOPAT	**332**	**-1 620**	**-1 126**	**418**	**303**	**60**	**-74**	**-325**	**-589**	**-863**
Depreciation	1 681	1 675	1 426	1 526	1 626	1 726	1 726	1 726	1 726	1 726
Change in operating WC	70	0	-26	-2	7	7	3	0	0	0
Capital expenditure	**4 390**	**4 000**	**3 500**	**4 000**	**4 000**	**4 000**	**4 000**	**4 000**	**4 000**	**4 000**
Free cash flow	**-2 447**	**-3 946**	**-3 174**	**-2 055**	**-2 078**	**-2 222**	**-2 352**	**-2 600**	**-2 864**	**-3 138**
WACC		12.5%	12.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
PV FCF 2024-2032E	-14 783									
Terminal growth	-2.0%									
Terminal Value (TV)	-4 972									
PV TV	-1 830									
Total EV	**-16 613**									
Net debt**	-6 588									
Necessary external financing	**10 110**									
Equity value	**85**									
Number of shares (mn)	117.4									
Value per share (PLN, Jan 2024)	0.7									
Target Price (Dec 2025, PLN)	**1.0**									

Source: Santander Brokerage Poland estimates, assumed coking coal price at USD210/t as of 1Q2027E,
** 2024E EBIT adjusted for PLN6.3bn provision; ** 2023 net debt, adjusted for 1) minorities, 2) PLN175mn of potentially non-refundable loan from PFR, 3) positive value of coke / coal inventories, not adjusted for provisions, 4) methane risk (at PLN130mn, methane risk likelihood at 5%)*

Fig. 26. JSW: DCF valuation (high-price scenario, 48% probability)

PLNmn	2023	2024E*	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenues	**15 338**	**11 380**	**10 931**	**14 384**	**14 552**	**14 744**	**14 911**	**14 942**	**14 961**	**14 979**
EBIT	2 363	-1 620	-1 126	2 741	2 404	1 801	1 729	1 484	1 232	970
Cash taxes on EBIT	2 031	0	0	503	420	282	240	161	79	0
NOPAT	**332**	**-1 620**	**-1 126**	**2 238**	**1 984**	**1 519**	**1 489**	**1 323**	**1 153**	**970**
Depreciation	1 681	1 675	1 426	1 526	1 626	1 726	1 726	1 726	1 726	1 726
Change in operating WC	70	0	-26	100	8	9	4	0	0	0
Capital expenditure	**4 390**	**4 000**	**3 500**	**4 000**	**4 000**	**4 000**	**4 000**	**4 000**	**4 000**	**4 000**
Free cash flow	**-2 447**	**-3 946**	**-3 174**	**-337**	**-399**	**-764**	**-789**	**-951**	**-1 122**	**-1 304**
WACC		12.6%	12.6%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%
PV FCF 2023-2032E	-8 703									
Terminal growth	-2.0%									
Terminal Value (TV)	5 549									
PV TV	2 027									
Total EV	**-6 675**									
Net debt**	-6 588									
Necessary external financing	**170**									
Equity value	**82**									
Number of shares (mn)	117.4									
Value per share (PLN, Jan 2024)	0.7									
Target Price (Dec 2025, PLN)	**1.0**									

Source: Santander Brokerage Poland estimates, assumed coking coal price at USD250/t as of 1Q2027E
** 2024E EBIT adjusted for PLN6.3bn provision; ** 2023 net debt, adjusted for 1) minorities, 2) PLN175mn of potentially non-refundable loan from PFR, 3) positive value of coke / coal inventories, not adjusted for provisions, 4) methane risk (at PLN130mn, methane risk likelihood at 5%)*

Santander

Comparative valuation

In our comparative valuation approach, we compare JSW to Warrior Met Coal separately, due to these two companies' business similarity (focus on metallurgical coal). However, we note that JSW has always been trading at a fraction of foreign peers' ratios, not to mention that JSW has not been paying dividend for years (and we expect it to keep it at nil terminally), in contrary to foreign peers. In this light, we keep thermal coal miner Bogdanka in our comparative valuation calculations of JSW. Weights settle at 40% for Bogdanka, 30% for Warrior and 15% for Developed / Emerging peers.

Along with the two scenarios, we also present outcomes of comparative valuation for "low-price" and "high-price" scenarios separately.

Fig. 27. JSW: Comparative valuation

Company	P/E			EV/EBITDA			P/CE		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Bogdanka *	**n.a.**	**3.1**	**4.4**	**0.5**	**0.3**	**1.3**	**0.8**	**1.1**	**1.3**
Warrior Met Coal	**8.8**	**14.7**	**8.2**	**4.9**	**6.0**	**4.0**	**5.8**	**6.7**	**4.5**
Mines in Developed Countries									
CNX Resources Corp	20.8	15.3	11.1	7.0	5.8	5.2	5.5	5.4	4.7
Anglo American PLC	18.3	20.0	14.0	6.7	7.1	6.5	6.3	6.8	5.7
SunCoke Energy Inc	8.5	12.7	12.3	4.1	4.8	4.7	3.7	4.3	4.1
Teck Resources Ltd	26.7	29.3	21.8	5.7	6.9	5.6	5.9	7.7	6.4
BHP Group Ltd	9.2	11.4	11.2	4.9	5.5	5.3	5.2	6.1	5.9
Median	**18.3**	**15.3**	**12.3**	**5.7**	**5.8**	**5.3**	**5.5**	**6.1**	**5.7**
Mines in Emerging Markets									
China Coal Energy	5.6	5.6	5.4	3.4	3.5	3.4	4.6	4.6	4.3
Bukit Asam	6.1	6.5	6.8	3.6	3.8	3.6	4.5	4.6	4.2
Banpu	17.0	8.1	7.0	6.0	5.6	5.7	1.3	1.3	1.3
China Shenhua Energy	12.1	12.3	12.4	6.1	6.2	6.2	8.5	8.8	8.7
Adaro Energy	2.7	4.0	4.2	1.1	1.9	1.7			
Indo Tambangraya	4.2	5.2	6.5	1.2	1.4	1.6			
Median	**5.8**	**6.0**	**6.6**	**3.5**	**3.6**	**3.5**	**4.5**	**4.6**	**4.3**

*Source: Bloomberg consensus estimates, Santander Brokerage Poland, share prices as of March 19, 2025, * Bogdanka EV/EBITDA estimates based on Santander calculations, due to Bloomberg's lack of data*

Fig. 28. JSW: Multiple-based valuation implications (PLN/share) (low-price scenario, 52% probability)

		P/E 2025-26E	EV/EBITDA 2025-26E	P/CE 2025-26E	Average 2025-26E
Bogdanka	40%	0	-8	12	2
Warrior Met	30%	-57	23	45	4
Developed	15%	-54	33	54	11
Emerging	15%	-19	16	40	12
Total		**-28**	**14**	**28**	**5**

Source: Bloomberg, Santander Brokerage Poland estimates

Fig. 29. JSW: Multiple-based valuation implications (PLN/share) (high-price scenario, 48% probability)

		P/E 2025-26E	EV/EBITDA 2025-26E	P/CE 2025-26E	Average 2025-26E
Bogdanka	40%	0	13	22	17
Warrior Met	30%	7	69	80	52
Developed	15%	42	92	98	77
Emerging	15%	32	57	73	54
Total		**13**	**43**	**50**	**42**

Source: Bloomberg, Santander Brokerage Poland estimates

DCF remains our preferred valuation tool, as it relies more on the company's long-term outlook. Changes in financial results or changes in investors' preferences drive the comparable valuation, which we see as supportive to the DCF valuation methodology. Hence, we assign 70% weight to DCF valuation and 30% weight to comparable valuation.

Valuation summary

Very steep metcoal benchmarks' erosion, strengthening zloty, rallying opex and high (and rising) capex jointly reduce JSW's DCF-based valuation deep into red in the core scenario. Worse more, now we believe that the company requires external financing in both our scenarios, i.e. even with upped volumes, no price discount and metcoal at USD250/t the company's DCF remains in the red (prior to assumed external financing).

In our models we increase JSW's coal production to 14.5mt as of 2025 (benefit of the doubt due to ongoing Transformation Plan), up 1.25mt vs previous report. At the top line, we assume that the European and German industrial / warfare plans would cancel out JSW's price discounts at both metcoal and coke. Also, we assume wages remaining flat in years 2025-26E, growing at 2.63% p.a. as of 2027E, based on the management's scenario approach, but we no longer assume one-off PLN1.7bn wages' cut in 2026-27E (also based on management's statements). Moreover, we include non-personnel opex savings at PLN588mn annually as of 2025E.

Fig. 30. JSW: Valuation changes**

PLN per share	New	Previous	*Change*
DCF valuation (low-priced, 52% probability)	1	1	*0%*
DCF valuation (high-priced, 48% probability)	1	10	*-89%*
DCF valuation weighted	**1**	**5**	***-80%***
Comparative valuation (low-priced, 52% probability)	5	27	*-82%*
Comparative valuation (high-priced, 48% probability)	42	56	*-25%*
Comparative valuation weighted (based on 2025-26E)	**23**	**41**	***-44%***
Blended valuation (Dec'2025)*	**8**	**16**	***-53%***

*Source: Santander Brokerage Poland estimates, * 70% DCF / 30% comparative, ** rounded values*

Financials

Fig. 31. JSW: Income statement (low-priced scenario, 52% probability)

PLNmn (year to December)	2021	2022	2023	2024E	2025E	2026E	2027E
Net sales	10 629	20 199	15 338	11 380	10 931	12 348	12 474
COGS, ex. Depreciation	7 223	8 712	10 372	16 703	9 709	9 408	9 599
Depreciation	1 220	1 228	1 681	1 675	1 426	1 526	1 626
EBITDA	**2 483**	**10 564**	**4 213**	**54**	**299**	**2 017**	**1 952**
Operating profit	1 263	9 336	2 363	-7 920	-1 126	491	326
Net financial income (costs)	-126	-116	-95	-176	-188	-104	-207
Profit before tax	1 137	9 221	2 267	-8 096	-1 314	387	119
Income tax	216	1 752	1 727	-1 440	-234	74	23
Net profit	**904**	**7 561**	**997**	**-6 656**	**-1 081**	**307**	**90**
Gross margin	20.6%	50.8%	21.4%	-61.5%	-1.9%	11.5%	10.0%
EBITDA margin	23.4%	52.3%	27.5%	0.5%	2.7%	16.3%	15.6%
Operating margin	11.9%	46.2%	15.4%	-69.6%	-10.3%	4.0%	2.6%
Net profit margin	8.5%	37.4%	6.5%	-58.5%	-9.9%	2.5%	0.7%

Source: Company data, Santander Brokerage Poland estimates

Fig. 32. JSW: Balance sheet (low-priced scenario, 52% probability)

PLNmn (year to December)	2021	2022	2023	2024E	2025E	2026E	2027E
Current assets	**4 659**	**14 984**	**13 174**	**11 901**	**4 538**	**3 105**	**3 834**
cash and equivalents	2 094	11 969	10 167	9 033	1 754	142	848
other short term investments	0	0	0	0	0	0	0
accounts receivable	1 596	1 800	1 798	1 334	1 282	1 448	1 463
inventories	653	990	1 172	1 036	1 005	1 018	1 026
prepaid expenses / other	316	224	37	497	497	497	497
Fixed assets	**11 303**	**11 980**	**14 620**	**10 645**	**12 719**	**15 157**	**17 522**
PPE	9 383	10 374	13 023	9 048	11 123	13 597	15 971
long-term investments	0	0	0	0	0	0	0
intangibles	186	139	199	199	199	199	199
goodwill	0	0	0	0	0	0	0
other	883	971	939	939	939	939	939
deferred taxes	850	496	459	459	459	422	413
Total assets	**15 962**	**26 963**	**27 794**	**22 546**	**17 258**	**18 262**	**21 356**
Current liabilities	**3 849**	**7 734**	**7 011**	**7 993**	**3 784**	**3 965**	**3 981**
bank debt	1 014	3 018	2 546	5 103	1 000	1 000	1 000
accounts payable	964	1 423	1 534	1 452	1 394	1 575	1 591
other current liabilities	1 428	2 845	2 346	943	943	943	943
provisions	443	448	585	496	448	448	448
Long-term liabilities	**3 815**	**3 292**	**3 811**	**4 290**	**4 290**	**4 800**	**7 800**
bank debt	1 658	1 096	782	1 490	1 490	2 000	5 000
other long-term liabilities	142	142	584	515	515	515	515
provisions	2 015	2 053	2 445	2 285	2 285	2 285	2 285
Equity	**7 852**	**15 437**	**16 469**	**9 813**	**8 732**	**9 040**	**9 112**
share capital	1 252	1 252	1 252	1 252	1 252	1 252	1 252
reserve capital	5 696	6 623	14 221	15 218	8 561	7 480	7 788
net income	904	7 561	997	-6 656	-1 081	307	72
Minority Interest	446	501	502	450	451	457	463
Total liabilities and equity	**15 962**	**26 963**	**27 794**	**22 546**	**17 258**	**18 262**	**21 356**
Net debt*	**1 024**	**-7 354**	**-6 336**	**-1 990**	**1 187**	**3 315**	**5 615**

*Source: Company data, Santander Brokerage Poland estimates, * includes minorities*

Fig. 33. JSW: Cash flow statement (low-priced scenario, 52% probability)

PLNmn (year to December)	2021	2022	2023	2024E	2025E	2026E	2027E
Cash flow from operations	**1 497**	**8 842**	**3 325**	**-5 174**	**323**	**1 835**	**1 691**
Net profit	904	7 561	997	-6 656	-1 081	307	72
Provisions	118	38	392	-160	0	0	0
Depreciation and amortization	1 220	1 228	1 681	1 675	1 426	1 526	1 626
Changes in WC, o/w	-647	-83	-70	518	26	2	-7
inventories	228	-337	-182	135	31	-12	-8
receivables	-937	-204	2	464	53	-166	-15
payables	62	459	110	-82	-57	181	16
Other, net	-98	97	325	-550	-48	0	0
Cash flow from investments	**-1 595**	**-487**	**-4 378**	**827**	**-3 500**	**-3 963**	**-3 991**
Additions to PPE and intangibles	-1 619	-2 171	-4 390	-4 000	-3 500	-4 000	-4 000
Change in long-term investments	0	0	0	0	0	0	0
Other, net	23	1 684	12	-1 473	0	37	9
Cash flow from financing	**-22**	**1 520**	**-749**	**3 213**	**-4 102**	**516**	**3 006**
Change in long-term borrowing	-435	-562	-314	708	0	510	3 000
Change in short-term borrowing	336	2 004	-472	2 557	-4 103	0	0
Change in equity and profit distribution	28	24	36	0	0	0	0
Dividends paid	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other, net	50	55	1	-52	1	6	6
Net change in cash and equivalents	**-120**	**9 875**	**-1 802**	**-1 134**	**-7 279**	**-1 612**	**706**
Beginning cash and equivalents	2 215	2 094	11 969	10 167	9 033	1 754	142
Ending cash and equivalents	2 094	11 969	10 167	9 033	1 754	142	848

Source: Company data, Santander Brokerage Poland estimates

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In preparing this report Santander Brokerage Poland applied at least one of the following valuation methods: discounted cash flows (DCF), comparative, mid-cycle, dividend discount model (DDM), residual income, warranted equity method (WEV), SOTP valuation, liquidation value.
The discounted cash flows (DCF) valuation method is based on expected future discounted cash flows. One advantage of the DCF valuation method is that it takes into account all cash streams reaching Issuer and the cost of money over time. Some disadvantages of the DCF valuation method are that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The comparative valuation method is based on the economic rule of "one price". Some advantages of the comparative valuation method are that the analyst need only estimate a small number of parameters; the valuation is based on current market conditions; the relatively large accessibility of indicators for companies being compared; and that there is an extensive knowledge of the comparative method among investors. Some disadvantages of valuation by the comparative method are the considerable sensitivity of the results of the valuation on the choice of companies to the comparative group; the method can lead to a simplification of the picture of the company which in turn can lead to omitting certain important factors (e.g. growth dynamics, extra-operational assets, corporate governance, the repeatability of results, differences in applied accounting standards); and the uncertainty of the effectiveness of a market valuation of companies being compared.
The mid-cycle multiple valuation is based on long-term average valuation multiples of a sector or a peer group. The methodology aims to calculate a fair, through the cycle value of the company. Among its shortfalls is that at peaks and/or troughs of the cycle, the implied fair value may deviate substantially from the market's value of an analysed stock as well as the methods' reliance on the quality of external data (we usually use Bloomberg or Damodaran databases). Simplicity and average through-cycle value allowing to capture over- as well as under-valuation of a given stock are the main advantages of this methodology.
The dividend discount model (DDM) valuation is based on the net present value of the future dividends that are expected to be paid out by the company. Some advantages of the DDM valuation method are that it takes into account real cash flows to equity-owners and that the methodology is used in respect to companies with long dividend payout history. Main disadvantage of the DDM valuation method is that dividend payouts are based on a large number of parameters and assumptions, including dividend payout ratio.
Residual income method is conceptually close to the discounted cash flows method (DCF) for non-financial stocks, the difference being that it is based on expected residual income (returns over COE) rather than expected future cash flows. One advantage of this valuation method is that it captures the excess of profit potentially available to shareholders and the cost of money over time. Main disadvantage of the valuation method is that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The warranted equity method (WEV) is based on the formula P/BV = (two year forward ROE less sustainable growth rate)/(Cost of equity less sustainable growth rate) which allows estimating a fair value (FV) of a given stock in two years' time. Subsequently the FV is discounted back to today. The main advantage of the WEV method is that it is a transparent one and based on relatively short term forecasts, hence substantially reducing the margin of forecasting error. The main disadvantage in our view is that the model is based on the principle that stock price should converge towards its fair value implied by company's ROE and COE.
SOTP valuation - different assets of a company are being valued according to different valuation methods, and the sum of these valuations represents the final valuation of the company. SOTP valuation advantages / disadvantages are identical to advantages and disadvantages of the specific valuation methods used.
Liquidation value method – liquidation value is the estimated amount of money that an asset or company could be quickly sold for, such as if it were to go out of business. Then, the estimated assets value is adjusted for liabilities and liquidation expenses. One advantage of this valuation method is its simplicity. This method does not account for intangible assets as goodwill, which is the main disadvantage.

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